

PANMURE GORDON & CO

Interim

Interim Report for the six months ended 30 June 2008

Interim Report

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Overview

Business summary

- Good performance in institutional equities given market conditions, with the US business showing improving trend
- Significant cost reduction achieved in the US and the UK, the full benefits of which will be felt in 2009
- Investment banking revenue impacted by market conditions

Financial summary

- Group revenue £23.0m in the first six months of the year (2007: £33.5m)
- Adjusted loss after tax of £2.0m (2007: adjusted earnings of £6.2m)
- UK business broke even in the first half; US loss making, partly as a result of restructuring costs
- Revaluation of goodwill on ThinkPanmure

Given the very difficult market conditions the focus has been on positioning the Group for 2009 and beyond. We have undertaken a very significant cost reduction exercise, without, in my view, weakening the business in any way. In the US we are targeting an operating cost number for 2009 of not more than \$49m, nearly 30% less than 2007 and substantially below 2008. All the costs of achieving the reduction are being taken this year.

We have also strengthened the Group through business and client wins in both the US and the UK, the opening of our Geneva office, the welcoming of EFG-Hermes as a significant shareholder and a continued focus on our core activities.

When there is a recovery, given the operational gearing in the business and our lean cost structure, this business has the potential to be significantly profitable.

Tim Linacre, Chief Executive

Chairman's Statement

Recent weeks have seen extraordinary markets and we look forward to the return of more normal conditions.

In the first half of the year we were not immune to the global market turmoil and we took steps to respond. We have taken strong corrective action to reduce the cost base of the firm to that which is more appropriate for current markets and put us in a strong position for the future when conditions improve. We will see the full benefits of the cost reduction in 2009. We have a robust balance sheet, talented individuals, an excellent reputation and we continue to win business.

The first half of this year saw a sharp reduction in revenue reflecting the absence of transactions for corporate clients and the turbulent market conditions. While the UK business broke even at the adjusted earnings level, an encouraging result given the market circumstances, the US business was loss making, in part reflecting restructuring costs.

The recent extreme market conditions inevitably impact our short term outlook; in volatile conditions corporate clients defer transactions and trading equities becomes difficult. In the medium term the changes in the competitive landscape, and the withdrawal from our markets of a number of competitors, will stand us in good stead.

History has shown that bear markets, particularly in the US, are followed by a surge of fund-raising activity by companies and consequentially significant growth in investment banks' revenues. We are positioning ourselves accordingly.

Since the acquisition of ThinkPanmure in April 2007, quoted independent investment banks in the US and the UK have seen a sharp decline in share prices; it is against this background that we have revalued the goodwill item representing our investment in ThinkPanmure on our balance sheet, as further discussed in note 2.

We are focused on positioning the firm for success in 2009 and beyond. The substantial cost reduction programme which has been carried out has reinforced our financial prudence in the UK and will transform the profitability of the US business.

The strategy of expanding our geographic reach continues. We do not believe that being a purely domestic player in what is becoming an increasingly international world is appropriate. We are delighted that EFG-Hermes, the leading investment bank in the Middle East and North Africa has, since the end of the first half, become a 10% shareholder in the business, and we are working with EFG-Hermes to exploit areas of mutual co-operation.

Interim Dividend

Given the current market turmoil the directors do not consider it appropriate to pay an interim dividend.

Board

Since the end of the half year Michael Moe, one of the founders of ThinkPanmure, left the firm and the Board. As previously announced both Richard Wyatt and Charles Stonehill stood down at the AGM in May. We thank them for their contribution and wish them well for the future.

Conclusion

The market was difficult throughout the first half of the year. Recent days and weeks have seen extraordinary developments. Our business thankfully is simple with no exposure to any sub-prime contagion or the requirement to depend on external funding. However the recent extreme conditions will have an impact on our short term performance.

We are focused on positioning the firm for success in 2009 and beyond. The substantial cost reduction programme which has been carried out has reinforced our financial prudence in the UK and will transform the profitability of the US business. The broadening of our shareholder base, the strength of our corporate and institutional relationships, our investment banking pipeline and our geographic reach all put the business in a position to move forward strongly when market conditions permit.

Tony Caplin, Chairman, 22 September 2008

Chief Executive's Review

The impact of the credit crunch, and its ramifications, have been felt in the Group's US and UK businesses and we have taken appropriate steps to align the business accordingly. There has been a sharp drop in corporate transactions which has severely restricted our ability to earn investment banking fees. Commission income has also come under pressure but to a lesser extent, primarily as a direct consequence of the falling stock markets in which we are most active.

Against this background we have been focused on structuring the business for more straitened times, while also ensuring that we are positioned to exploit the upturn in the market when it comes. Our Chairman comments on the need for a business like ours to achieve greater international reach and our decision to welcome EFG-Hermes as a strategic shareholder reflects this aim. We will continue to seek ways to ensure we are well placed to service our clients by extending our international presence and broadening our product offering.

There have been many encouraging signs of progress including our Extel awards recognition in the UK. The firm's analysts and sales people were able to achieve excellent results individually and across the sectors they cover. We also received a top two rating in the Starmine survey in the US for our semi-conductor research. Excellent research remains at the core of our offering.

We continue to have a solid base of retainer revenue and potential transaction fees from our corporate clients with pleasing client and business wins. We have seen a positive trend in our institutional brokerage business in the US.

While we had staff departures in the first half as part of our cost reduction programme and some natural turn-over, we also recruited selectively with excellent hires. We continue to look for opportunities to hire the right people for the firm.

Results

	2008 H1 £'000	2007 H1 £'000
Net revenue	23,004	33,525
Losses on available for sale investments	(589)	(97)
Administrative expenses	(26,266)	(25,505)
Adjusted operating (loss)/profit	(3,851)	7,923
Net interest receivable	499	816
Adjusted (loss)/profit before tax	(3,352)	8,739
Taxation	1,329	(2,574)
Adjusted earnings (see note 6)	(2,023)	6,165
Adjusted earnings per share (see note 6)	(2.87p)	9.08p

This table excludes goodwill impairment, amortisation of intangibles, share-based payments and one-off restructuring charges (see note 6).

As compared to the first half of 2007 (which included only 3 months' contribution from our US business), net revenue is well down as a result of the very unfavourable market conditions. The most significant decline has been in revenue from investment banking. Although we have a pipeline of investment banking deals on both sides of the Atlantic, the credit crunch and associated rise in risk aversion has led to deals being delayed. Other than in the energy sector, where the high price of oil has continued to stimulate investor interest, there have been very few IPOs or other fund raisings in the small and mid cap space.

Overall investment banking revenue fell from £18.6m in H1 2007 to £9.5m in H1 2008. Whilst the second quarter saw some improvement on what had been a very difficult first quarter, levels of activity were still well below those of 2007. We have seen good progress in M&A advisory work, particularly in the US, an area which has not featured significantly in past years.

Although more resilient than transaction based fees, the poor state of equity markets also impacted our commission and trading revenue. The latter fell from £13.6m in H1 2007 to £12.1m in H1 2008, despite an improving trend in the US.

Whilst we decided not to progress our mutual fund initiative as equity markets remained so poor, we continue to see potential in our established wealth and asset management businesses which are capable of good growth. Our private client asset allocation business posted a return of +15.4% against a loss for the S&P 500 of 11.9% over the first six months of 2008. The asset base grew by 30% over the same period. Equally, Brantwood our hedge fund, which has nearly two years of superior performance, returned 11.9% over the six months.

We have been particularly pleased with the progress made in our newest offices, Liverpool and Geneva, and both of these offer significant potential for further profitable growth.

Cost realignment

We have taken strong action to reduce costs in the UK and the US reflecting market conditions while ensuring that we have the right personnel in place to continue to provide our clients with a high quality service and to exploit the improvement in sentiment when it comes. The impact of the cost reductions made in the first half will be felt in the second half of the year, though it will not be until 2009 for the full benefit of the cost reduction exercise to be seen.

Chief Executive's Review

Continued

Such an exercise has required us to incur some significant costs this year, for example on property and headcount reduction; however, the result of this will be a cost base which will be appropriate even if there is no substantial recovery in our markets. When there is a recovery, given the operational gearing in the business and our lean cost structure, this business has the potential to be significantly profitable.

We acquired ThinkPanmure (formerly ThinkEquity Partners), our US subsidiary, in April of 2007. The logic of having a broader geographic offering and genuine presence in the US market remains compelling; however the acquisition's timing, shortly before the sharp market downturn, was at the very least unfortunate. This business, which had grown very strongly since its launch in 2001, had been expected to continue to expand through 2007 and 2008.

Entering 2008, the business was not properly aligned with market conditions that continued to deteriorate and US operating costs were trending towards \$62m per annum, itself down from 2007 and significantly down from the pre-acquisition rate. Action has been taken to reduce this cost base by a further 20% and while the full benefit of these cost savings will not be felt until 2009, we are now operating at an annualised cost base of \$49m, and continue to focus on further savings. We have also taken significant costs out of the UK business.

Outlook

We continue to have a healthy pipeline of transactions although it is reasonable to assume that many of these will be delayed until market conditions improve. I am cautious about the short term outlook but believe that the cost realignment exercise has put the business in a strong position. I am positive about our opportunities, whether that is participating in the inevitable surge in investment banking business in the US which follows bear markets, exploiting the opportunities of our geographic reach or continuing to grow the quality of our UK corporate client list. What is clear is that, as companies increasingly seek advisers who are independent and who put the clients' interests ahead of their own, our firm will excel.

When there is a recovery in our markets, given the operational gearing in the business and our lean cost structure, this business has the potential to be significantly profitable.

Tim Linacre, Chief Executive, 22 September 2008

Condensed consolidated interim income statement (unaudited)

For the six months ended 30 June 2008

£'000	Notes	6 months 30 June 2008	6 months 30 June 2007	12 months 31 December 2007
Commission and trading income		13,629	14,527	27,952
Commission and trading expense		(1,518)	(950)	(2,164)
Net commission and trading income		12,111	13,577	25,788
Corporate finance and other income		10,893	19,948	39,371
Net commission and fee income		23,004	33,525	65,159
Net loss on available for sale investments	9	(589)	(97)	(1,104)
Administrative expenses		(26,032)	(25,505)	(55,494)
Redundancy and restructuring charges	10	(1,341)	–	(432)
Operating profit/(loss) before share based payments		(4,958)	7,923	8,129
Share based payments arising as a result of the acquisition of Panmure Gordon (UK) Limited	4	(237)	(3,544)	(4,149)
Other share based payments	4	(1,444)	(842)	(2,278)
Operating (loss)/profit		(6,639)	3,537	1,702
Goodwill impairment	2	(13,688)	–	–
Financial income		596	945	2,043
Financial expense		(97)	(129)	(222)
Profit/(loss) before tax		(19,828)	4,353	3,523
Income tax	5	306	2,072	2,167
Profit/(loss) for the period		(19,522)	6,425	5,690
Basic earnings (loss) per share	6	(27.68p)	9.45p	8.23p
Diluted earnings (loss) per share	6	(27.68p)	9.11p	8.05p
Proposed interim/final dividend per share		–	1.5p	1.5p

The notes on pages 13 to 25 form part of these financial statements.

Condensed consolidated interim statement of recognised income & expense (unaudited)

For the six months ended 30 June 2008

£'000	6 months 30 June 2008	6 months 30 June 2007	12 months 31 December 2007
Foreign exchange translation differences	(59)	(657)	(356)
Change in fair value of available for sale investments	17	900	(17)
Deferred tax arising thereon	(5)	(252)	5
Income and expense recognised directly in equity	(47)	(9)	(368)
Profit/(loss) for the period	(19,522)	6,425	5,690
Total recognised income and expense for the period	(19,569)	6,416	5,322

Condensed consolidated interim balance sheet (unaudited)

As at 30 June 2008

£'000	Notes	As at 30 June 2008	Restated* as at 30 June 2007	Restated* as at 31 December 2007
Assets				
Intangibles	2,13	26,684	40,262	40,545
Plant and equipment		2,937	3,082	3,288
Available for sale investments		7,280	6,031	6,351
Deferred income tax asset		5,001	4,646	4,541
Total non-current assets		41,902	54,021	54,725
Securities held for trading		7,336	5,676	5,477
Trade and other receivables	11	73,861	135,000	39,730
Cash and cash equivalents		14,879	35,330	34,893
Total current assets		96,076	176,006	80,100
Current liabilities				
Bank overdraft		(69)	(982)	(459)
Trade payables	12	(65,079)	(120,622)	(30,776)
Tax and social security		(622)	(252)	(470)
Corporation tax liabilities		(26)	(2,560)	(774)
Other payables		(8,482)	(21,767)	(20,219)
Held for trading liabilities		(436)	(1,838)	(686)
Total current liabilities		(74,714)	(148,021)	(53,384)
Net current assets		21,362	27,985	26,716
Interest bearing loans and borrowings		(3,000)	(3,000)	(3,000)
Provisions		(488)	(946)	(488)
Deferred tax liability		(370)	–	(345)
Total non-current liabilities		(3,858)	(3,946)	(3,833)
Net assets		59,406	78,060	77,608
Equity				
Issued share capital	7	2,841	2,820	2,831
Shares to be issued (including share premium)	7	2,769	4,136	3,147
Share premium account		13,113	12,632	12,676
Merger reserve	7	19,130	32,526	32,818
Special reserve		9,595	9,595	9,595
Fair value reserve		–	648	(12)
Other reserve		(605)	(672)	(636)
Foreign currency translation reserve		(415)	(657)	(356)
Treasury shares		(5,209)	(4,334)	(4,972)
Retained earnings	7	18,187	21,366	22,517
Total equity		59,406	78,060	77,608

* Please see note 13 for details of the restatement

The notes on pages 13 to 25 form part of these financial statements.

Condensed consolidated interim statement of cash flows (unaudited)

Reconciliation of profit before tax to net cash outflow from operating activities

£'000	6 months 30 June 2008	6 months 30 June 2007	12 months 31 December 2007
Cash flows from operating activities			
Profit/(loss) before tax	(19,828)	4,353	3,523
Goodwill impairment	13,688	–	–
Net financial income	(499)	(816)	(1,821)
Depreciation and amortisation	778	429	1,018
Net loss on available for sale investments	589	356	1,104
Loss on disposal of plant and equipment	79	–	–
Movement in securities held for trading	(2,108)	(705)	(1,658)
(Increase)/decrease in amounts owed by counterparties	(1,272)	2,562	3,088
Decrease/(increase) in trade receivables	858	(3,665)	356
Decrease in trade payables and provisions	(10,514)	(3,473)	(2,644)
Foreign exchange	59	116	–
IFRS 2 share based payments and related charges	1,681	4,386	4,908
Net cash flow from operating activities	(16,489)	3,543	7,874
Income taxes paid	(774)	(1,418)	(3,132)
Net cash from operating activities	(17,263)	2,125	4,742
Cash flows from investing activities			
Financial income received	596	945	2,043
Acquisition of subsidiary net of cash acquired	–	(1,693)	(1,313)
Transaction costs relating to the subsidiary acquisition	–	(1,483)	(1,483)
Acquisition of plant and equipment	(368)	(656)	(1,447)
Acquisition of available for sale investments	(1,502)	(1,906)	(4,344)
Proceeds from disposal of available for sale investments	–	1,890	2,400
Net cash from investing activities	(1,274)	(2,903)	(4,144)
Cash flows from financing activities			
Proceeds from the issue of share capital	–	38	86
Purchase of own shares for treasury	(237)	(1,524)	(2,162)
Financial expense	(97)	(129)	(222)
Repayment of borrowings arising in subsidiary acquired	–	(6,143)	(6,144)
Repayment of EBT loan	31	40	76
Payment of dividends	(779)	–	(761)
Net cash from financing activities	(1,082)	(7,718)	(9,127)
Net decrease in cash and cash equivalents	(19,619)	(8,496)	(8,529)
Cash and cash equivalents at 1 January	34,434	42,963	42,963
Effect of exchange rate fluctuations on cash held	(5)	(119)	–
Cash and cash equivalents at 30 June/31 December	14,810	34,348	34,434

Notes to the condensed consolidated interim financial statements (unaudited)

1 Legal status and basis of preparation

1.1 Legal status

Panmure Gordon & Co. plc (the “Company”) is a company domiciled in the United Kingdom. The address of the Company’s registered office is Moorgate Hall, 155 Moorgate, London, EC2M 6XB. The interim financial statements of the Company for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the “Group”).

1.2 Basis of preparation and statement of compliance

The Group’s set of consolidated interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the EU and the AIM Rules.

The set of consolidated interim financial statements have been prepared by applying the accounting policies and presentations that were applied in the preparation of the Group’s published consolidated financial statements (“annual financial statements”) for the year ended 31 December 2007. Those annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the EU. The condensed consolidated interim financial statements are presented in sterling, rounded to the nearest thousand. The comparative figures for the financial year ended 31 December 2007 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

1.3 Use of estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 28 within the annual financial statements.

Notes to the condensed consolidated interim financial statements (unaudited)

1.4 Forthcoming accounting developments

Standards issued by the IASB and endorsed by the EU

IFRS 8 'Operating Segments' ('IFRS 8'), which replaces IAS 14 'Segment Reporting' ('IAS 14'), was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2009. This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that the chief operating decision maker uses to make operating decisions. The Group currently presents two sets of segments in accordance with IAS 14, one geographical and one based on customer groups, which reflect the way the Group is managed. The Group will adopt IFRS 8 with effect from 1 January 2009, and will accordingly present segmental information which reflects the operating segments used to make operating decisions at that time.

2 Goodwill impairment

As a result of the continued deterioration in global economic and market conditions, and the resulting restructuring of ThinkPanmure, an impairment test was performed on this Cash Generating Unit ("CGU") at 30 June 2008. This involved comparing the recoverable amount of the CGU to its carrying value including goodwill. The recoverable amount is estimated using a value in use calculation based on future cash flow projections, over a period of three years which is then extrapolated using a nominal long-term growth rate based on the current market that ThinkPanmure operates within. The test confirmed that goodwill for the CGU was impaired and an impairment charge of £13.7m was recognised in the income statement. There was no prior impairment recognised on this CGU.

The process of identifying and evaluating goodwill impairment is inherently uncertain because it requires significant management judgement in making a series of estimations, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best estimate of the factors discussed in detail on page 63 in the annual financial statements.

The goodwill impairment testing performed for ThinkPanmure is highly sensitive to the assumptions and estimates used, and it is possible that the outcomes in the second half of 2008 could be different from the assumptions and estimates made as at 30 June 2008. In the event of further significant deterioration in the economic and credit conditions beyond the levels already reflected by management in the cash flow forecasts for the CGU, a further special review would be made. If this review indicated that a further deterioration in economic and credit conditions and future outlook was sufficiently severe, this could result in a further material impairment to the carrying amount of goodwill.

Two key assumptions upon which management has based its determination of the recoverable amount of ThinkPanmure are the discount rate and the long-term growth rate. The blended discount

Notes to the condensed consolidated interim financial statements (unaudited)

rate and the blended long-term growth rate used in the impairment testing at 30 June 2008 were 20% and 2% respectively (31 December 2007: 17% and 2% respectively). A 50 basis point increase in the discount rate, assuming no effects on other variables, would decrease the recoverable amount of goodwill by £0.5m. A 50 basis point decrease in the long-term growth rate, assuming no effects on other variables, would decrease the recoverable amount of goodwill by £0.5m.

3 Segmental analysis

Segmental information is presented in respect of the Group's geographical segment, which is the Group's primary segment, and is based on the Group's management and internal reporting structure.

The Group comprises the following main geographical segments:

- UK business
- US business

Geographical analysis for the 6 months to 30 June 2008 and the 6 months to 30 June 2007

	UK		US		Consolidated	
	6 months 30 June 2008	6 months 30 June 2007	6 months 30 June 2008	6 months 30 June 2007	6 months 30 June 2008	6 months 30 June 2007
	£'000	£'000	£'000	£'000	£'000	£'000
Net commission and trading income	5,461	9,080	6,650	4,497	12,111	13,577
Corporate finance fee income	5,059	15,828	4,429	2,749	9,488	18,577
Wealth management and other income	–	366	1,405	1,005	1,405	1,371
Net loss on AFS investments	(589)	(97)	–	–	(589)	(97)
Total administration expenses	(10,477)	(17,378)	(16,896)	(8,127)	(27,373)	(25,505)
Share based payment charges	(1,537)	(4,359)	(144)	(27)	(1,681)	(4,386)
Goodwill impairment	–	–	(13,688)	–	(13,688)	–
Net financial income	649	905	(150)	(89)	499	816
Income tax	(1,396)	2,086	1,702	(14)	306	2,072
Profit/(loss) for period	(2,830)	6,431	(16,692)	(6)	(19,522)	6,425

Notes to the condensed consolidated interim financial statements (unaudited)

Geographical analysis for the 6 months to 30 June 2008 and 12 months to 31 December 2007

	UK		US		Consolidated	
	6 months 30 June 2008 £'000	12 months 31 Dec 2007 £'000	6 months 30 June 2008 £'000	12 months 31 Dec 2007 £'000	6 months 30 June 2008 £'000	12 months 31 Dec 2007 £'000
Net commission and trading income	5,461	14,894	6,650	10,894	12,111	25,788
Corporate finance fee income	5,059	26,215	4,429	10,435	9,488	36,650
Wealth management and other income	–	–	1,405	2,721	1,405	2,721
Net loss on AFS investments	(589)	(1,104)	–	–	(589)	(1,104)
Total administration expenses	(10,477)	(29,975)	(16,896)	(25,951)	(27,373)	(55,926)
Share based payment charges	(1,537)	(6,343)	(144)	(84)	(1,681)	(6,427)
Goodwill impairment	–	–	(13,688)	–	(13,688)	–
Net financial income	649	2,040	(150)	(219)	499	1,821
Income tax	(1,396)	1,276	1,702	891	306	2,167
Profit/(loss) for period	(2,830)	7,003	(16,692)	(1,313)	(19,522)	5,690

4. IFRS 2 Share based payments

The Group has two active employee benefit trusts, the Panmure Gordon & Co. plc Employee Benefit Trust (“EBT1”) and the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust (“EBT2”). The assets and liabilities of each EBT are consolidated within the consolidated interim financial statements.

Certain options over the ordinary shares of Panmure Gordon & Co. plc issued under the Unapproved Share Option Plan have been granted in prior periods to an Executive Share Option Scheme held in EBT1. Subsequently, options have been sub-trusted for the potential benefit of certain employees (including directors) or their beneficiaries.

The Panmure Gordon & Co. plc Matching Share Plan is in essence a buy one get one free plan, under which for each ordinary share in Panmure Gordon & Co. plc which is purchased and lodged with the Company, one share is issued free of charge after three years, provided the shares have not been disposed of and provided that the employee is still employed by the Company at the time of vesting.

Notes to the condensed consolidated interim financial statements (unaudited)

On completion of the acquisition by the Group of Panmure Gordon (UK) Limited on 26 April 2005, the Company issued 18,521,295 new ordinary shares at par value to the trustees of EBT2. The par value of these shares, less exercised shares, is currently shown within the other reserve section on the balance sheet. The trustees have granted options over some of the shares to employees, including directors, at an exercise price equivalent to the par value of 4 pence per share. Also consequent on completion of the acquisition of Panmure Gordon (UK) Limited the Company granted 1,500,000 options over ordinary shares to certain directors under the 2002 Unapproved Share Option Plan (of which 500,000 remain outstanding). The provisions of IFRS 2 have been applied to both these options and to the options granted over shares held in EBT2.

The Group has adopted the provisions of IFRS 2 as regards share based payment charges. These provisions require a calculation of the fair value at the date of grant of share options granted to directors and employees. This fair value is then charged to the profit and loss account over the vesting period of the options. Since this charge is not a cash item nor a diminution in asset value, there is an equal and opposite credit to reserves of the amount of the share based payment charge.

Other share based payment charges relate to payments to employees in compensation for employer's National Insurance Contributions borne by them on the exercise of share options. Such payments will only be made whilst the UK Group remains profitable.

The fair value of share options granted over the period to 30 June 2008 has been estimated using the Black Scholes valuation model. The significant inputs to this model were:

- (a) Share price on the date of grant
- (b) Exercise price
- (c) Expected volatility
- (d) Risk free rate on the date of grant
- (e) Expected dividend yield

Notes to the condensed consolidated interim financial statements (unaudited)

Share based payment charges arising from the acquisition of Panmure Gordon (UK) Limited

	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
IFRS 2 share based payment charges	743	1,912	2,964
Other related IFRS 2 share based payment charges	(506)	1,632	1,185
Total IFRS 2 share based payment charges relating to the acquisition of Panmure Gordon (UK) Limited	237	3,544	4,149

IFRS 2 share based payment charges are derived from the following issues of options and awards relating to the acquisition of Panmure Gordon (UK) Limited:

Type of scheme	Date of grant	No. of options granted less exercised or lapsed	Exercise price (p)	Vesting period (years)
2005 EBT (tranche 3)	26/04/2005	1,713,138	4	3
2005 EBT (tranche 3)	31/05/2005	809,291	4	2.9
2005 EBT (tranche 3)	31/05/2005	806,511	4	2.9
2005 EBT (tranche 3)	16/08/2005	61,666	4	2.7
2005 EBT (tranche 3)	16/08/2005	5,999	4	2.7
2005 EBT (tranche 3)	24/11/2005	10,000	4	2.42
2005 EBT (tranches 2 – 3)	10/03/2006	494,747	4	2.1 – 3.1
2005 EBT (tranches 2 – 3)	15/05/2006	40,000	4	1.95 – 2.95
2005 EBT (tranches 2 – 3)	17/07/2006	10,000	4	1.78 – 2.78
2005 EBT (tranches 2 – 3)	14/09/2006	103,333	4	1.61 – 2.61

Other share based payment charges

	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
IFRS 2 share based payment charges	1,541	349	1,944
Other related IFRS 2 share based payment charges	(97)	493	334
Total IFRS 2 share based payment charges	1,444	842	2,278

Notes to the condensed consolidated interim financial statements (unaudited)

IFRS 2 share based payment charges are derived from the following issues of options and awards unconnected with the acquisition of Panmure Gordon (UK) Limited:

Type of scheme	Date of grant	No. of options granted less exercised or lapsed	Exercise price (p)	Vesting period (years)
2005 EBT (tranches 1 – 3)	17/01/2007	25,000	4	1.27 – 3.27
2005 EBT (tranches 1 – 3)	06/03/2007	235,000	4	1.14 – 3.14
Accrued Bonus (tranches 1 – 3)	30/03/2007	347,764	181.5	1 – 3
Overseas Plan	30/03/2007	341,184	181.5	3
Matching Share Plan	31/03/2007	1,383,065	–	3
2005 EBT (tranches 1 – 3)	10/04/2007	336,333	4	1.04 – 3.04
2005 EBT	10/04/2007	215,000	4	3
2002 Approved	23/04/2007	18,750	160	3
2002 Approved	23/04/2007	17,964	167	3
2002 Unapproved	23/04/2007	156,250	160	4
2002 Unapproved	23/04/2007	7,036	167	4
Matching Share Plan	26/04/2007	200,000	–	3
Accrued Bonus (tranches 1 – 3)	16/05/2007	66,666	181.5	3
Overseas Plan	16/05/2007	56,000	181.5	3
2005 EBT (tranches 1 – 3)	22/05/2007	47,500	4	0.93 – 2.93
2005 EBT	22/05/2007	20,000	4	2.88
2002 Approved	20/06/2007	47,045	176	3
2002 Unapproved	20/06/2007	157,955	160	4
2005 EBT (tranches 1 – 3)	05/07/2007	34,250	4	0.81 – 2.81
2005 EBT (tranches 1 – 3)	06/07/2007	563,250	4	0.81 – 2.81
Matching Share Plan	11/07/2007	264,000	–	3
2005 EBT (tranches 1 – 3)	17/08/2007	237,000	4	0.69 – 2.69
2002 Approved	19/09/2007	1,264,000	125	3
Overseas Plan	19/09/2007	415,600	181.5	2.53
2005 EBT (tranches 1 – 3)	12/10/2007	275,000	4	0.54 – 2.54
Matching Share Plan	19/10/2007	136,460	–	3
Matching Share Plan	30/10/2007	31,811	–	3
2005 EBT (tranches 1 – 3)	19/11/2007	45,000	4	0.43 – 2.43
Matching Share Plan	20/11/2007	50,000	–	3
2005 EBT (tranches 1 – 2)	18/12/2007	90,000	4	0.35 – 1.35
2005 EBT (tranches 1 – 3)	18/02/2008	25,000	4	1.19 – 3.19
2005 EBT (tranches 1 – 3)	14/03/2008	60,000	4	0.12 – 2.12
Accrued Bonus (tranches 1 – 3)	14/03/2008	151,071	181.5	0.04 – 2.04
2005 EBT (tranches 1 – 3)	27/05/2008	30,000	4	0.92 – 2.92
2005 EBT (tranches 1 – 3)	27/05/2008	125,000	4	0 – 1.92

Notes to the condensed consolidated interim financial statements (unaudited)

5. Taxation

The current tax charge for the period is different to the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

Analysis of the total income tax credit:	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
Analysis of current tax charge in period			
UK current period corporation tax charge	(26)	(2,560)	(2,501)
US current period corporation tax charge	–	(14)	–
UK corporation tax credit in respect of prior year	–	–	492
Current tax charge	(26)	(2,574)	(2,009)
Analysis of deferred tax credit in period			
Arising on future exercise of share options	(1,317)	4,646	3,323
Recognition of US tax losses	1,702	–	890
Temporary difference on plant and equipment	–	–	280
Temporary difference on goodwill	(53)	–	(317)
Deferred tax credit	332	4,646	4,176
Total income tax credit	306	2,072	2,167
Tax reconciliation			
Profit/(loss) on ordinary activities before tax	(19,828)	4,353	3,523
Taxation at UK corporation tax rate of 28.5% (2007: 30%)	5,651	(1,306)	(1,057)
Effects of:			
Taxation of US (profit)/loss at different rate	402	(4)	264
Deferred tax on future exercise of share options	(1,317)	4,646	3,323
Deferred tax on plant and equipment	–	–	280
Deferred tax on goodwill	(53)	–	(317)
Tax on IFRS 2 share based payment charges	(479)	(1,316)	(1,928)
Tax on goodwill impairment	(3,901)	–	–
Tax relief from exercise of share options	–	–	849
Prior year corporation tax over provision	–	–	492
Sundry differences	3	52	261
Total income tax credit	306	2,072	2,167

Notes to the condensed consolidated interim financial statements (unaudited)

6. Earnings per share

Earnings per share (EPS) are calculated on a net basis using the profit on ordinary activities after taxation divided by the weighted average number of shares detailed below.

	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
Profit/(loss) on ordinary activities after taxation (PAT)	(19,522)	6,425	5,690
Add IFRS 2 charges re acquisition of Panmure Gordon (UK) Ltd	237	3,544	4,149
Other IFRS 2 share based payment charges	1,444	842	2,278
Goodwill impairment & amortisation of intangibles	13,826	–	–
Tax relief from exercise of options	–	–	(849)
Prior year tax over provision	–	–	(492)
Deferred tax from the future exercise of share options	1,317	(4,646)	(3,323)
Deferred tax relating to goodwill	53	–	317
Redundancy and restructuring charges net of taxation	839	–	250
Gain on sale of discontinued activities net of taxation	–	–	(54)
Reduction in withholding tax on Accrued Bonus Plan	(263)	–	–
Dividend equivalent bonus net of taxation	46	–	106
Adjusted profit/(loss) after tax (adj PAT)	(2,023)	6,165	8,072
Weighted average number of shares in issue	70,522,791	67,923,145	69,102,942
Fully diluted weighted average number of shares in issue	72,607,743	70,510,983	70,649,835
Basic earnings per share (based on PAT)	(27.68p)	9.45p	8.23p
Diluted earnings per share (based on PAT)	(27.68p)	9.11p	8.05p
Adjusted earnings per share (based on adj PAT)	(2.87p)	9.08p	11.68p
Adjusted diluted earnings per share (based on adj PAT)	(2.87p)	8.74p	11.43p

Notes to the condensed consolidated interim financial statements (unaudited)

7. Reconciliation of movements in total equity

	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
Profit/(loss) for the period after taxation	(19,522)	6,425	5,690
Transfer from merger reserve on account of goodwill impairment	(13,688)	–	–
Transfer to retained earnings on account of goodwill impairment	13,688	–	–
Fair value reserve	12	648	(12)
Foreign currency translation reserve	(59)	(657)	(356)
IFRS 2 share based payments	2,283	2,262	4,908
Shares issued re: exercise of options	10	38	382
Other shares issued	437	11,004	11,008
Shares to be issued	(378)	4,136	3,147
Reduction in shares held by EBT	31	40	76
Treasury shares	(237)	(1,524)	(2,162)
Dividends paid	(779)	–	(761)
Opening total equity	77,608	55,688	55,688
Closing total equity	59,406	78,060	77,608

Share Capital

During the six months to 30 June 2008, 239,330 shares were allotted to satisfy the exercise of share options. The 'other shares issued' in the table above reflects shares issued during the period to satisfy the vesting of shares under the Company's Accrued Bonus Plan. The 'shares to be issued' in the table above represents the resulting reduction in the number of unvested shares within the Accrued Bonus Plan, adjusted to reflect minor taxation differences. Full details regarding this plan can be found in note 4 within the annual financial statements.

The Company has continued its programme to purchase its own shares into treasury. As at 30 June 2008, the number of shares in issue was 71,019,146, of which 3,485,203 were held in treasury. The fully diluted share capital was 73,128,952.

The 'other reserve' section of the balance sheet reflects the nominal value of share capital owned by the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust. As at 30 June 2008 the Trust held 15,116,709 shares.

Merger Reserve

The merger reserve was increased in the financial year to 31 December 2007 following the acquisition of ThinkPanmure, and reflected the difference between the market value of shares issued to purchase ThinkPanmure and their nominal value. In accordance with section 131 of the Companies Act 1985 the Group has transferred an equal amount of the goodwill impairment reported for the period to 30 June 2008, of £13.7m, from the merger reserve to retained earnings.

Notes to the condensed consolidated interim financial statements (unaudited)

8. Analysis of changes in net funds

	As at 31 December 2007 £'000	Cash flow £'000	As at 30 June 2008 £'000
Cash and cash equivalents	34,893	(20,014)	14,879
Bank overdraft	(459)	390	(69)
Cash and cash equivalents net of bank overdraft	34,434	(19,624)	14,810
Subordinated loan	(3,000)	–	(3,000)
Net funds	31,434	(19,624)	11,810

9. Net loss on available for sale investments

The net loss on available for sale investments of £589k, includes a gain of £17k which was previously taken to the fair value reserve and has now been recycled to the income statement (2007: £nil). Given the length of the current bear market and recent exceptionally volatile conditions, management has recognised a write down on those investments through the income statement, based on market values as at 30 June 2008. Management has based this decision on a detailed review of all investments held as at the balance sheet date when considering this adjustment.

10. Redundancy and restructuring charges

Over the period to 30 June 2008 the Group undertook a cost reduction exercise to bring the cost base in line with market conditions. The costs below represent one-off charges in relation to achieving these cost savings.

	6 months 30 June 2008 £'000	6 months 30 June 2007 £'000	12 months 31 December 2007 £'000
Redundancy costs	554	–	432
Premises related costs	787	–	–
Total	1,341	–	432

Notes to the condensed consolidated interim financial statements (unaudited)

11. Trade and other receivables

	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
Trade receivables	1,574	4,059	2,449
Stock borrow ¹	429	354	764
Market receivables	65,302	125,881	29,978
Other receivables	4,994	3,173	5,117
Prepayments and accrued income	1,562	1,533	1,422
Total	73,861	135,000	39,730

¹ Stock borrow reflects collateral placed against the value of stock borrowed.

12. Trade payables

	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
Market payables	62,283	119,695	28,566
Trade payables	2,796	927	2,210
Total	65,079	120,622	30,776

Notes to the condensed consolidated interim financial statements (unaudited)

13. Restatement of goodwill

In accordance with IFRS 3 'Business Combinations', any subsequent revisions to provisional fair value balances within the first 12 months of an acquisition are made as at the date of acquisition, with a corresponding adjustment to goodwill.

In the consolidated balance sheet as at 30 June 2007 and 31 December 2007, the fair value amounts in relation to the acquisition of ThinkPanmure contained some provisional balances. During the six months to 30 June 2008 these provisional balances were revised, increasing goodwill by £0.5m to £27.3m. The adjustment related to a reassessment of provisions for legal costs which are classified as 'other payables' on the consolidated balance sheet. This adjustment does not impact the consolidated income statement for the periods ended 30 June 2007 and 31 December 2007.

	As reported at 30 June 2007	Adjustment to ThinkPanmure	Restated at 30 June 2007	As reported at 31 December 2007	Adjustment to ThinkPanmure	Restated at 31 December 2007
	£'000	£'000	£'000	£'000	£'000	£'000
Intangibles	39,773	489	40,262	40,056	489	40,545
Other payables	(21,278)	(489)	(21,767)	(19,730)	(489)	(20,219)

14. General

The interim report was approved by the Board of Directors on 22 September 2008.

This report will be sent to shareholders and will be made available to the public, upon request, at the registered office of Panmure Gordon & Co. plc, Moorgate Hall, 155 Moorgate, London EC2M 6XB or from the Company's website www.panmure.com.

Independent review report by KPMG Audit Plc to Panmure Gordon & Co. plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2008 which comprises the condensed consolidated interim income statement, condensed consolidated statement of recognised income and expense, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

The accounting policies that have been adopted in preparing the condensed set of financial statements are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

KPMG Audit Plc

Chartered Accountants
London
22 September 2008

Directors

Chairman	Tony Caplin
Chief Executive	Tim Linacre
Chief Financial Officer	David Liddell
Director	Deborah Quazzo
Non-executive Director	Simon Bax
Non-executive Director	Anthony Cann
Non-executive Director	Paul Gismondi
Non-executive Director	Simon Heale

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